

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02

PA-01 PRS-01 /082 W

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R 281606Z JUL 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 7998

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

USMISSION NATO

AMCONSUL OPORTO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMCONSUL PONTA DELGADA

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E.O. 11652: N/A

TAGS: ECON, EFIN, PO

SUBJ: TREASURY BOND SALES EXCEEDING PREDICTIONS

REF: (A) LISBON 4067, (B) LISBON 2946

BEGIN UNCLASSIFIED

1. REFTELS REPORTED GOP ATTEMPTS TO MARKET 5.9 BILLION
ESCUDOS (\$190 MILLION) IN TREASURY BONDS TO THE PUBLIC.
ALTHOUGH ORIGINAL DEADLINE FOR SALES WAS JUNE 30, GOP HAS
EXTENDED THIS PERIOD THROUGH AUGUST 31 AND HAS AUTHORIZED
ADDITIONAL SALES OF 3.3 BILLION ESCUDOS (\$106 MILLION) IN
BONDS, THEREBY RAISING THE TOTAL TO 9.2 BILLION ESCUDOS

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(\$295 MILLION). TERMS FOR ADDITIONAL INCREMENT ARE SAME AS

THOSE DESCRIBED IN REF A.

2. JULY 23 "EXPRESSO" CLAIMED, AND FINANCE MINISTRY OFFICIAL CONFIRMED, THAT SALES HAVE REACHED 5.45 BILLION ESCUDOS. PRIVATE INVESTORS REPORTEDLY ACCOUNT FOR 43 PERCENT OF TOTAL SUBSCRIPTIONS - 2.35 BILLION ESCUDOS (\$75 MILLION). NEWS ACCOUNTS CLAIMED THAT SALES OF CURRENT BOND ISSUE WERE LARGEST EVER, EXCEEDING BOTH PRE-REVOLUTIONARY ISSUES AND 4.3 BILLION ESCUDO ISSUE OF 1975. END UNCLASSIFIED.

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3. COMMENT: ALTHOUGH CLAIMS OF OVERWHELMING SUCCESS FOR BOND ISSUE ARE PROBABLY OVERDRAWN, SALES HAVE APPARENTLY BEEN MORE SUCCESSFUL THAN EXPECTED. THIS SUCCESS UNDOUBTEDLY STEMS, AT LEAST IN PART, FROM VERY HEAVY GOP PROMOTIONAL CAMPAIGN. SALES ALSO SIGNIFY BOTH A REVIVAL OF PUBLIC CONFIDENCE AND A BELIEF THAT GOVERNMENT BONDS PROVIDE MORE SECURITY AND A HIGHER RATE OF RETURN THAN OTHER AVAILABLE SAVINGS INSTRUMENTS. END LIMITED OFFICIAL USE. CARLUCCI

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, FINANCIAL PROGRAMS, BONDS (SECURITIES)
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LISBON05077
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760292-0456
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760714/aaaaalr.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LISBON 4067, 76 LISBON 2946
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <04 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TREASURY BOND SALES EXCEEDING PREDICTIONS
TAGS: ECON, EFIN, PO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006